

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with securities regulatory requirements, the discussion and analysis which follows for Guardian Capital Group Limited and its subsidiaries and other controlled entities ("Guardian") pertains to the three month period ended March 31, 2023 and the comparative period in the year 2022, as well as to certain other prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2022 Annual Report. This discussion and analysis has been prepared as of May 11, 2023

Additional information relating to Guardian and its business, including Guardian's Annual Information Form, is available on "SEDAR" at www.sedar.com.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain information included in this Management's Discussion and Analysis constitutes forward-looking information within the meaning of applicable Canadian securities laws. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "would", "expect", "intend", "estimate", "anticipate", "believe", "should", "plan", "continue", or similar expressions suggesting future outcomes or events or the negative thereof. Forward-looking information in this Management's Discussion and Analysis includes, but is not limited to, statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations. Such forward-looking information reflects management's beliefs and is based on information currently available. All forward-looking information in this Management's Discussion and Analysis is qualified by the following cautionary statements.

Although Guardian believes that the expectations reflected in such forward-looking information are reasonable, such information involves known and unknown risks and uncertainties which may cause Guardian's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially include but are not limited to: general economic and market conditions, including interest rates, business competition, changes in government regulations or in tax laws, the duration and severity of pandemics, such as COVID-19, the current conflict in the Ukraine, as well as those risk factors discussed or referred to in this Management's Discussion and Analysis and the other disclosure documents filed by Guardian with the securities regulatory authorities in certain provinces of Canada and available at www.sedar.com. The reader is cautioned to consider these factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information, as there can be no assurance that actual results will be consistent with such forward-looking information.

The forward-looking information included in this Management's Discussion and Analysis is provided as of the date of this Management's Discussion and Analysis and should not be relied upon as representing Guardian's views as of any date subsequent to the date of this Management's Discussion and Analysis. Guardian undertakes no obligation, except as required by applicable law, to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

OVERVIEW OF GUARDIAN'S BUSINESS

Guardian is a financial services company, which provides extensive investment management services to institutional, retail and private high and ultra-high-net worth clients through its subsidiaries. At the end of the current quarter, Guardian had \$52.3 billion of assets under management ("AUM") and \$4.1 billion of assets under advisement ("AUA") (together the "Total Client Assets"). Guardian is headquartered in Canada and operates in Canada, the United Kingdom, the United States and the Caribbean. Investment Management business is operated through the Toronto, Ontario-based Guardian Capital LP ("GCLP"), Guardian Smart Infrastructure Management Inc. ("GSIM"), Guardian Capital Advisors LP ("GCA") and Guardian Partners Inc. ("GPI"), the Waterloo, Ontario-based Rae & Lipskie Investment Counsel Inc. ("RaeLipskie"), Vancouver, British Columbia-based Modern Advisor Canada Inc. ("Modern Advisor"), the London, UK-based GuardCap Asset Management Limited ("GuardCap"), the Salt Lake City, Utah-based Alta Capital Management, LLC ("Alta"), the Richmond, Virginia-based Agincourt Capital Management LLC ("Agincourt") and the Caribbean-based Alexandria Bancorp Limited ("ABL"). Guardian also manages its proprietary investment portfolio which had a fair market value of \$1.3 billion at the end of the current quarter.

USE OF NON-IFRS MEASURES

Guardian uses certain measures to evaluate and assess the performance of its business, some of which are not defined within International Financial Reporting Standards ("IFRS"). These measures are EBITDA, EBITDA attributable to shareholders, EBITDA attributable to shareholders per share, Adjusted cash flow from operations, Adjusted cash flow from operations attributable to shareholders, Adjusted cash flow from operations attributable to shareholder per share. As a result of the sale of the Worldsource businesses as discussed below, we have updated the definition of EBITDA to exclude Net earnings from discontinued operations. More detailed definition of EBITDA is provided on page 25 of the Management Discussions and Analysis. Other Non-IFRS measures are equity per share, and securities per share. Non-IFRS measures do not have standardized meanings prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. However, Guardian believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these measures in analyzing Guardian's results. In the Non-IFRS Measures section of this Management Discussion and Analysis a description of how these measures are defined by Guardian is provided, with reconciliations to their most comparable IFRS measures.

CONSOLIDATED FINANCIAL RESULTS

The comparative financial results of Guardian on a consolidated basis are summarized in the following table:

| For the three months ended March 31, (\$ in thousands, except per share amounts) | 2023 | 2022 <i>Restated</i> | % Inc (Dec) |
|---|------------|-------------------------|-------------|
| Net revenue | \$ 54,493 | \$ 51,824 | 5.2% |
| Expenses | 43,253 | 38,317 | 12.9% |
| Operating earnings | 11,240 | 13,507 | -16.8% |
| Net gains (losses) | 18,134 | (9,749) | 286.0% |
| Net earnings before income taxes | 29,374 | 3,758 | 681.6% |
| Income tax expense | 2,932 | 3,534 | -17.0% |
| Net earnings from continuing operations | 26,442 | 224 | 11,704.5% |
| Net earnings from discontinued operations | 553,743 | 5,591 | 9,804.2% |
| Net earnings | \$ 580,185 | \$ 5,815 | 9,877.4% |
| EBITDA | \$ 17,371 | \$ 17,504 | -0.8% |
| Adjusted cash flow from operations | 18,097 | 16,778 | 7.9% |
| Attributable to shareholders: | | | |
| Net earnings (loss) from continuing operations | \$ 26,114 | \$ (353) | 7,497.7% |
| Net earnings | 487,603 | 4,262 | 11,340.7% |
| EBITDA | 16,395 | 16,390 | 0.0% |
| Adjusted cash flow from operations | 17,113 | 15,635 | 9.5% |
| Per share amounts (diluted): | | | |
| Net earnings (loss) from continuing operations | \$ 1.02 | \$ (0.01) | 10,300.0% |
| Net earnings | 18.79 | 0.16 | 11,643.8% |
| EBITDA | 0.65 | 0.64 | 1.6% |
| Adjusted cash flow from operations | 0.67 | 0.61 | 9.8% |

| As at (\$ in millions, except per share amounts) | 2023 March 31 | 2022 December 31 | % Inc (Dec) | 2022 March 31 | % Inc (Dec) |
|--|------------------|---------------------|-------------|------------------|-------------|
| Shareholders' equity | \$ 1,242 | \$ 768 | 61.8% | \$ 828 | 50.0% |
| Securities | 1,301 | 660 | 97.1% | 741 | 75.6% |
| Diluted per share | | | | | |
| Shareholders' equity | \$ 48.73 | \$ 29.43 | 65.6% | \$ 31.27 | 55.8% |
| Securities | 51.06 | 25.31 | 101.7% | 27.97 | 82.6% |

FIRST QUARTER HIGHLIGHTS

On March 1, 2023, Guardian closed on the previously announced transaction to sell the businesses of IDC Worldsource Insurance Network Inc. ("IDC WIN"), Worldsource Financial Management Inc. and Worlsource Securities Inc. (together the "Dealers") (all three entities together, the "Sold Businesses") to Desjardins Group for a total purchase price of \$750 million, of which \$600 million related to the sale of IDC WIN and \$150 million related to the sale of the Dealers. These gross proceeds are subject to adjustments for net working capital in each of the businesses and the proportionate amounts owed to minority shareholders of IDC WIN. On closing of the transaction, \$15 million of the gross proceeds of the IDC WIN disposition and \$5 million from the gross proceeds of the disposition of the Dealers were placed in escrow. These amounts will be held in escrow for a period up to 18 months from the date of closing to be available to offset indemnity claims which may be brought by the purchaser or to offset further adjustments to closing net working capital of the Sold Businesses.

In the current quarter, Net earnings from discontinued operations were \$553.7 million, which includes net gains of \$619.5 million realized on the disposition of the Worldsource Businesses, income tax expense of \$69.0 million on the net gains and \$3.2 million in operating earnings, net of taxes, for the period up to the closing date. Further details of the sales transaction are provided in note 15 to Guardian's First Quarter 2023 Consolidated Financial Statements.

In the following discussion and analysis and in Guardian's Consolidated Financial Statements, the Sold Businesses, up to the date of closing, have been classified as discontinued operations. In the Statement of Operations and Comprehensive Income, the current and comparative period results, including the Net gains realized on the sale of the Sold Businesses, have been presented on a single line called Net earnings from discontinued operations.

Subsequent to the sale of the Worldsource Businesses, Guardian streamlined its businesses into two Segments, Investment Management Segment and Corporate Activities and Investments Segment. The businesses which were previously included in the Wealth Management Segment have now been consolidated into the Investment Management Segment.

The completion of the transaction returns Guardian's strategic focus to its roots and core competency of an investment management business. Over the coming quarters, Guardian will review and update its strategic plan, which will explore the various options to deploy the additional liquid capital received upon the dispositions.

Subsequent to the quarter end, as part of a renewed focus on expanding its presence in the United States, Guardian is exercising a portion of its call option to acquire an additional 24% interest in Alta from the minority shareholders. The transaction is expected to close in the second quarter of 2023 and will result in Guardian owning 94% of Alta.

ASSETS UNDER MANAGEMENT AND ADVISEMENT

The following is a summary of the assets under management and advisement:

| As at (\$ in millions) | 2023 March 31 | 2022 December 31 | % Inc (Dec) | 2022 March 31 <i>Restated</i> | % Inc (Dec) |
|---------------------------------------|------------------|---------------------|-------------|-------------------------------------|-------------|
| Assets under management | | | | | |
| Institutional | | | | | |
| Global equities | \$ 24,985 | \$ 23,050 | 8.4% | \$ 24,739 | 1.0% |
| Canadian equities | 5,340 | 5,199 | 2.7% | 7,919 | -32.6% |
| Fixed income | 16,591 | 16,124 | 2.9% | 16,054 | 3.3% |
| Institutional assets under management | 46,916 | 44,373 | 5.7% | 48,712 | -3.7% |
| Wealth management | 5,345 | 5,214 | 2.5% | 4,411 | 21.2% |
| Total assets under management | 52,261 | 49,587 | 5.4% | 53,123 | -1.6% |
| Assets under advisement | 4,065 | 3,716 | 9.4% | 4,272 | -4.8% |
| Total client assets | \$ 56,326 | \$ 53,303 | 5.7% | \$ 57,395 | -1.9% |

Guardian is reporting Total Client Assets of \$56.3 billion as at March 31, 2023, compared to \$53.3 billion, as at December 31, 2022 and \$57.4 billion, as at March 31, 2022. The increase since December 31 was due mainly to the positive market performance. The decline since the same quarter in the prior year was driven largely by net outflows of assets experienced in 2022, partially offset by the positive returns in the global equities market and the addition of \$1.1 billion on the acquisition of RaeLipskie, which occurred on September 1, 2022. The majority of the net outflows over the prior year were experienced in Canadian Equity strategies, negatively impacted by the continued reduction in allocation to this asset class by institutional investors. .

OPERATING RESULTS

The Operating earnings of Guardian's business segments are summarized in the following table:

| For the three months ended March 31, (\$ in thousands) | 2023 | 2022 <i>Restated</i> | % Inc (Dec) |
|--|-----------|-------------------------|-------------|
| Investment management | \$ 9,838 | \$ 12,254 | -19.7% |
| Corporate activities and investments | 1,402 | 1,253 | 11.9% |
| | \$ 11,240 | \$ 13,507 | -16.8% |

Guardian's consolidated Operating earnings for the current quarter ended March 31, 2023, were \$11.2 million, compared to \$13.5 million for the same quarter in the prior year, a 17% decrease. The EBITDA for the current quarter was \$17.4 million substantially unchanged from \$17.5 million in the same quarter in the prior year. Net revenues grew to \$54.5 million in the current quarter, a 5% increase from \$51.8 million in the prior year. The increase was largely driven by interest income earned on the proceeds of disposition of the Sold Businesses in the Corporate Activities and Investments Segment and the contribution from RaeLipskie, which was acquired in Q3 of 2022, partially offset by lower management fee revenue earned in the remaining businesses. Total expenses in the current quarter were \$43.3 million, a 13% increase from \$38.3 million in the prior year. The increased expenses were due to the addition of expenses associated with RaeLipskie, higher interest expenses, the continued multi-year strategic investments in our future growth sources, inflationary increases in technology expenses and increased travel activities.

Net gains in the current quarter were \$18.1 million, compared to Net losses of \$9.7 million in the same quarter in the prior year. These gains and losses largely reflect the changes in fair values of our Securities portfolio. The positive performance in the global equities market during the current quarter resulted in increases in the fair value of our securities portfolio. The net gains in our proprietary investments were partially offset by a decrease in the fair value of the Bank of Montreal shares, which were negatively impacted by the banking sector declines.

Net earnings attributable to shareholders was \$487.6 million, compared to Net earnings attributable to shareholders of \$4.3 million in the same quarter in the prior year. The increase was due to the increase in Net earnings from discontinued operations as described above in First Quarter Highlights section, higher Net gains, partially offset by lower Operating earnings in the current quarter.

Adjusted cash flow from operations for the quarter was \$18.1 million, a \$1.3 million increase from \$16.8 million in the same period in 2022. The increase is due to higher tax payments in the prior year, partially offset by lower Operating earnings in the current quarter.

The discussion on Guardian's operating results by Segments of continuing operations are provided below. The discussion should be read in conjunction with Note 12 (a), Business Segments, contained in Guardian's First Quarter 2023 Consolidated Financial Statements.

Investment Management Segment

Operating earnings from the Investment Management Segment were \$9.8 million in the current quarter, a decrease of \$2.5 million from \$12.3 million in the prior year. This Segment's EBITDA in the current quarter was \$ 13.2 million, a decrease of \$1.9 million from \$15.1 million in the prior year. The Net management and advisory fee revenues in the current quarter were \$44.0 million, down from \$44.8 million in the prior year. The decrease in AUM, largely in the Canadian Equity strategy, compared to the same quarter in the prior year, resulted in the decrease in Net management and advisory fee revenues. This decrease was partially offset by \$1.9 million in revenue contributions from RaeLipskie, which was acquired on September 1, 2022. The total expenses in the Segment were \$37.2 million in the current quarter, compared to \$35.1 million in the prior year. Increased expenses were largely the result of the addition of expenses associated with RaeLipskie and the continued strategic investments into our additional future growth sources, the Canadian Retail Asset Management ("CRAM") team, the Guardian Smart Infrastructure ("GSIM") team, Guardian Partners Inc. and Modern Advisor. The Operating losses in these businesses \$3.5 million in the current quarter, an increase of \$1.2 million from \$2.3 million in the prior year. These strategic investments are expected to continue in the near term while we continue to build these future sources of growth.

Subsequent to March 31, 2023, Guardian provided notice to the non-controlling interests of its subsidiary, Alta Capital Management LLC ("Alta"), of its intent to exercise a portion of its option and purchase an additional 24% ownership interest in Alta. The transaction is expected to be completed in the second quarter of 2023 and will result in the Company having a 94% ownership interest in Alta.

Corporate Activities and Investments Segment

The Corporate Activities and Investments Segment's Operating earnings for the current quarter were \$1.4 million, a \$0.1 million increase from the \$1.3 million earned in the same quarter in the prior year. The current quarter's Net revenue increased to \$7.8 million, from \$4.8 million in the same quarter in 2022. The largest contributor to the growth was the one month's interest income of \$2.4 million earned on the net proceeds of disposal of the Sold Businesses received on March 1, 2023. Included in the total revenues were \$0.2 million in fees charged to Worldsource for transitional services in March 2023. The increase in Net revenue was partially offset by higher expenses in the current quarter of \$6.3 million, compared to \$3.6 million in the same quarter in the prior year. The increase is mainly due to \$1.3 million increase in interest expense, resulting from increased borrowing rates over the period, addition of employees to support our strategic investments in the operating segments, allocation of certain costs to Worldsource Businesses in prior periods being absorb in the current period, inflationary impact of technology costs and growth in travel expenditures. The investments into additional resources in this Segment is expected to grow in the near term to support the anticipated strategic investments into technology.

LIQUIDITY AND CAPITAL RESOURCES

The strength of Guardian's balance sheet has enabled Guardian to attract Associates; provide clients with a high level of confidence and comfort; maintain appropriate levels of working capital in each of its areas of operation; make the necessary capital expenditures and investments to develop its businesses; and make appropriate use of borrowings, including financing the expansion of its businesses. We are confident that the strength of Guardian's balance sheet will continue to provide benefits in the future.

Guardian's balance sheet is supported by our substantial securities portfolio, as presented below:

| As at (\$ in millions) | 2023 March 31 | 2022 December 31 | % Inc (Dec) | 2022 March 31 | % Inc (Dec) |
|--|---------------------|---------------------|---------------|-------------------|--------------|
| Securities, carried at fair value | | | | | |
| Proprietary investment strategies | | | | | |
| Short-term and fixed-income securities | \$ 13,168 | \$ 18,495 | -28.8% | \$ 19,048 | -30.9% |
| Canadian equities | 13,624 | 13,200 | 3.2% | 14,087 | -3.3% |
| Global equities | 291,016 | 269,631 | 7.9% | 299,650 | -2.9% |
| Canadian real estate | 43,345 | 43,182 | 0.4% | 29,669 | 46.1% |
| | 361,153 | 344,508 | 4.8% | 362,454 | -0.4% |
| Bank of Montreal common shares | 268,180 | 273,064 | -1.8% | 333,917 | -19.7% |
| Short-term securities | 638,613 | 9,341 | 6,736.7% | 8,266 | 7,625.8% |
| Equities | 33,538 | 33,500 | 0.1% | 36,516 | -8.2% |
| Securities | \$ 1,301,484 | \$ 660,413 | 97.1% | \$ 741,153 | 75.6% |
| Securities per share, diluted | \$ 51.06 | \$ 25.31 | 101.7% | \$ 27.97 | 82.6% |

Guardian's Securities as at March 31, 2023 had a fair value of \$1,301.5 million, or \$51.06 per share, diluted, compared with \$660.4 million, or \$25.31 per share, diluted, at the end of 2022. Shareholders' equity as at March 31, 2023 amounted to \$1,242.0 million, or \$48.73 per share, diluted, compared to \$767.9 million, or \$29.43 per share, diluted, at the end of 2022. The increases in Securities and Shareholders' equity were due largely to the addition of Guardian's portion of the proceeds, net of amounts held in escrow, and net gains realized on the disposition of the Sold Businesses, respectively. The proceeds were invested in fixed income investments with varying maturity, all less than one year. In the current quarter, Guardian returned to its shareholders \$6.1 million in dividends and \$5.4 million in share buybacks.

In addition to its strong balance sheet, Guardian has, under various borrowing arrangements, total borrowing capacity of \$175.0 million. As at March 31, 2023, the total borrowings amounted to \$127.4 million, compared to \$131.6 million at the end of 2022. Guardian's Adjusted cash flow from operations attributable to shareholders for the current quarter was \$17.1 million, compared to \$15.6 million in the same quarter in 2022. The increase in the current quarter, compared to the same period one year earlier, was due to higher tax payments in the prior year, partially offset by lower Operating earnings. Guardian uses its Adjusted cash flow from operations attributable to shareholders primarily to fund its working capital, pay its quarterly dividends, fund its capital expenditures and repay debt where possible. From time to time, Guardian may use a combination of Adjusted cash flow from operations attributable to shareholders, debt and disposal of Securities to help finance larger capital expenditures repurchase shares under its Normal Course Issuer Bid. Guardian will revisit its use of Adjusted cash flow from operations attributable to shareholders and capital resources over the coming quarters as part of its review of its strategic plan.

CONTRACTUAL OBLIGATIONS

Guardian has contractual commitments for the payment of certain obligations over a period of time. A summary of those commitments, including a summary of the periods during which they are payable, is shown in the following table:

| As at March 31, 2023 (\$ in thousands) | Total | Payments due by period | | | |
|--|-------------------|------------------------|------------------|-----------------|------------------|
| | | Within one year | 2 - 3 years | 4 - 5 years | After five years |
| Bank loans and borrowings | \$ 127,404 | \$ 127,404 | \$ -- | \$ -- | \$ -- |
| Third party investor liabilities | 55,999 | 55,999 | -- | -- | -- |
| Client deposits | 61,780 | 61,780 | -- | -- | -- |
| Accounts and income taxes payable | 144,410 | 144,410 | -- | -- | -- |
| Obligations to non-controlling interests and other | 42,150 | 28,859 | 8,494 | 4,797 | -- |
| Investment commitments | 11,787 | 11,787 | -- | -- | -- |
| Scheduled lease payments, undiscounted | 29,998 | 2,767 | 5,105 | 4,391 | 17,735 |
| Total contractual obligations | \$ 473,528 | \$ 433,006 | \$ 13,599 | \$ 9,188 | \$ 17,735 |

Guardian's contractual commitments are supported by its strong financial position, including its Securities, referred to above under the heading "Liquidity and Capital Resources". Client deposits in the offshore banking subsidiary are supported by the Interest-bearing deposits with banks. Third party investor liabilities are supported by Securities backing third party investor liabilities. Guardian has a commitment to invest \$11.8 million in a private equity funds. Guardian will decide on the appropriate strategy for funding these commitments when called upon by the funds

SUMMARY OF QUARTERLY RESULTS

The following chart summarizes Guardian's financial results for the past eight quarters:

| | Mar 31, 2023 | Dec 31, 2022 | Sep 30, 2022 <i>Restated</i> | Jun 30, 2022 <i>Restated</i> | Mar 31, 2022 <i>Restated</i> | Dec 31, 2021 <i>Restated</i> | Sep 30, 2021 <i>Restated</i> | Jun 30, 2021 <i>Restated</i> |
|---|-----------------|-----------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <i>As at (\$ in millions)</i> | | | | | | | | |
| Assets under management | \$ 52,261 | \$ 49,587 | \$ 47,814 | \$ 46,931 | \$ 53,123 | \$ 56,341 | \$ 53,113 | \$ 51,641 |
| Assets under advisement | 4,065 | 3,716 | 3,788 | 3,944 | 4,272 | 4,338 | 5,061 | 5,542 |
| Total client assets | 56,326 | 53,303 | 51,602 | 50,875 | 57,395 | 60,679 | 58,174 | 57,183 |
| <i>For the three months ended (\$ in thousands)</i> | | | | | | | | |
| Net revenue | \$ 54,493 | \$ 50,681 | \$ 48,434 | \$ 50,056 | \$ 51,824 | \$ 52,961 | \$ 50,873 | \$ 47,437 |
| Operating earnings | 11,240 | 8,790 | 10,419 | 11,404 | 13,507 | 14,086 | 15,385 | 14,134 |
| Net gains (losses) | 18,134 | 18,225 | (21,148) | (91,545) | (9,749) | 51,408 | (8,960) | 55,915 |
| Net earnings (losses) from continuing operations | 26,442 | 25,249 | (11,582) | (73,463) | 224 | 57,909 | 4,005 | 61,193 |
| Net earnings from discontinued operations | 553,743 | 6,386 | 5,034 | 5,239 | 5,591 | 6,542 | 4,592 | 5,638 |
| Net earnings (losses) | 580,185 | 31,635 | (6,548) | (68,224) | 5,815 | 64,451 | 8,597 | 66,831 |
| Net earnings (loss) from continuing operations attributable to shareholders | 26,114 | 24,679 | (11,780) | (74,053) | (353) | 56,999 | 3,268 | 60,681 |
| Net earnings (loss) attributable to shareholders | 487,603 | 29,961 | (7,608) | (69,698) | 4,262 | 62,422 | 7,054 | 65,138 |
| <i>Per share (in \$)</i> | | | | | | | | |
| Net earnings (loss) from continuing operations attributable to shareholders | | | | | | | | |
| Basic | \$ 1.09 | \$ 1.02 | \$ (0.49) | \$ (3.03) | \$ (0.01) | \$ 2.30 | \$ 0.13 | \$ 2.41 |
| Diluted | 1.02 | 0.96 | (0.49) | (3.03) | (0.01) | 2.15 | 0.12 | 2.25 |
| Net earnings (loss) attributable to shareholders: | | | | | | | | |
| Basic | \$ 20.27 | \$ 1.24 | \$ (0.31) | \$ (2.85) | \$ 0.17 | \$ 2.52 | \$ 0.28 | \$ 2.59 |
| Diluted | 18.79 | 1.16 | (0.31) | (2.85) | 0.16 | 2.35 | 0.27 | 2.42 |
| Dividends paid | \$ 0.34 | \$ 0.24 | \$ 0.24 | \$ 0.24 | \$ 0.18 | \$ 0.18 | \$ 0.18 | \$ 0.18 |
| <i>As at</i> | | | | | | | | |
| Shareholders' equity (\$ in millions) | \$ 1,242 | \$ 768 | \$ 743 | \$ 743 | \$ 828 | \$ 839 | \$ 781 | \$ 780 |
| <i>Per share (in \$)</i> | | | | | | | | |
| Basic | \$ 52.42 | \$ 31.84 | \$ 30.82 | \$ 30.68 | \$ 33.67 | \$ 33.89 | \$ 31.56 | \$ 31.15 |
| Diluted | 48.73 | 29.43 | 28.88 | 28.74 | 31.27 | 31.53 | 29.40 | 29.09 |
| Total Class A and Common shares outstanding (shares in thousands) | 26,113 | 26,246 | 26,246 | 26,342 | 26,892 | 26,954 | 26,968 | 27,263 |

Over the past eight quarters presented above, Guardian's Net revenue, largely comprised of net management and advisory fees, has generally trended in the same direction as the changes in Total client assets. These fluctuations can also influence Operating earnings and are driven largely by the factors described below.

Net management and advisory fees are highly correlated to the changes in Total Client Assets, which are affected by the volatility of the global financial markets and additions and withdrawals of assets by clients. Partially offsetting this volatility is the income from Securities earned in the Corporate Activities and Investments Segment, which are less directly correlated to the volatility in the global financial markets. The timing of consolidation or deconsolidation of certain investment funds or disposal of securities can also have an impact on the level of dividend income recorded in the period.

Large increases in AUM in the fourth quarter of 2020 and AUA in the first quarter of 2021 reflect the acquisitions of Agincourt and GPI completed in those periods, with a smaller increase attributable to the acquisition of Rae & Lipskie in the third quarter of 2022. The Net revenue for each of the quarters above generally trended with the levels of Total Client Assets. During the second quarter of 2022, increased Dividend and Interest income partially offset some of the decrease in Management and advisor fee revenue. Net gains (losses) reflect changes in fair values of the securities during each period, driven by the volatility of the global financial markets in which Guardian's securities trade. The volatility of Net gains (losses) also directly affects Net earnings (losses) attributable to shareholders.

The Net earnings from discontinued operations of \$553,743 in the first quarter of 2023 reflects largely the net gains realized on the disposition of the Sold Businesses and its operating earnings, net of taxes for the period to closing.

The quarterly fluctuations in shareholders' equity shown above are caused largely by Guardian's Net earnings (losses), attributable to shareholders, less dividends paid and shares repurchased.

RISK FACTORS

A key component of a successful business is its ability to manage its risk. The following sections discuss the most significant risks and Guardian's management processes to mitigate them. Readers are encouraged to refer to Note 14 to Guardian's First Quarter 2023 Consolidated Financial Statements for additional information on financial risk management.

Market Risk

Markets can have a significant effect on the value of both clients' portfolios and our earnings, since investment management and advisory fees, which make up a significant part of our revenues, are generally based on market values. The market fluctuations can be driven by political, economic or other

changes in various regions of the world. We manage the risks associated with market fluctuations by having a diversified client base with different investment needs, and by having a variety of products and services, which may be attractive in different market environments and which have different correlations to equity and other financial markets and to each other.

Guardian's securities holdings are managed independently of clients' assets, except for those of our assets that are invested in Guardian's investment funds.

Portfolio Value and Concentration Risks

Guardian's securities are subject to price fluctuations risk. The potential impact of market fluctuations on the value of Guardian's securities is quantified in Note 14 of Guardian's First Quarter 2023 Consolidated Financial Statements. Guardian manages this risk through professional in-house investment management expertise, which takes a disciplined approach to investment management. All securities are held by independent custodians chosen by Guardian. As at March 31, 2023, Guardian held \$268 million of BMO shares (December 31, 2022 – \$273 million), which represents 21% of Guardian's securities (December 31, 2022 – 41%). Guardian has accepted this concentration risk, as the bank is a diversified company with a history of steady and growing dividend payments. However, Guardian has been reducing its concentrated exposure over several years, having sold 2.7 million shares since the second quarter of 2013. In the current quarter, Guardian's securities increased its holdings in Fixed income securities to 50% of the portfolio. This is the result of the proceeds from the sale of the Sold Businesses being invested in fixed income securities of varying terms to maturities. These securities are all government issued or high-quality corporate securities with terms to maturities all under one year. The remainder of Guardian's securities portfolio is more diversified, from both an asset class and a geographical perspective.

The concentration risks by type as a percentage of total securities is summarized in the following table:

| As at December 31, (as a percentage of securities) | 2023 | 2022 | % Inc (Dec) |
|--|------|------|-------------|
| Bank of Montreal common shares | 21% | 41% | -49% |
| Other Canadian equity securities and real estate | 4% | 9% | -56% |
| Canadian equities and real estate | 25% | 50% | -50% |
| Non-Canadian equities | 25% | 46% | -46% |
| Short-term and Fixed income securities | 50% | 4% | 1150% |
| | 100% | 100% | 0% |

Foreign Currency Risk

As a result of expansion outside of Canada, Guardian's revenues, expenses and operating results from foreign operations may fluctuate with the changes in the foreign currency exchange rates compared to the Canadian dollar. The most significant foreign currency exposure is to the US dollars as most of the non-Canadian assets under management are US dollar denominated portfolios. Every 1% change in the value of the Canadian dollar against the US dollar would result in approximately \$330 change in Net revenues.

Guardian's investments in its foreign subsidiaries are subject to the risk of foreign currency exchange rate fluctuations. The effects of changes in foreign currency exchange rates on the values of these investments are not included in Net earnings (losses), but are recorded in the Net change in foreign currency translation on foreign subsidiaries in Guardian's Consolidated Statements of Operations and Comprehensive Income, and the cumulative effect is included in Accumulated Other Comprehensive Income in the Shareholders' Equity section of the Consolidated Balance Sheets.

From time to time, Guardian may recognize US dollar obligations to non-controlling interests on its balance sheet associated with the subsidiaries in the United States. As these are expected future transactions between equity interest holders, the changes in the value of these obligations, including changes resulting from foreign exchange rate fluctuations, are recorded directly in the Consolidated Statements of Equity. This currency risk is managed in a manner similar to the investments in other foreign subsidiaries, in that they are not actively managed, due to the long-term nature of the investments, but are closely monitored by management. Guardian may also record certain foreign exchange gains (losses) in Net earnings, such as US Dollar borrowings or on Canadian dollar cash balances held by foreign subsidiaries. This risk is mitigated by offsetting amounts being recognized on the investment in these foreign subsidiaries as Net change in foreign currency translation on foreign subsidiaries, as discussed above. Readers are encouraged to refer to Note 14 in Guardian's First Quarter 2023 Consolidated Financial Statements for further discussion and sensitivity analyses.

Credit Risk

Guardian's credit risk is generally considered to be low. Because of the nature of Guardian's business, its receivables are mainly from large institutions, which are considered to pose a relatively low credit risk. Guardian periodically reviews the financial strength of all of its counterparties, and if the circumstances warrants, Guardian takes appropriate action to reduce its exposure to certain counterparties. The credit risk associated with Guardian's investment in fixed-income mutual funds is managed by the monitoring of the activities of the portfolio manager who, through diversification and credit quality reviews of the funds' investments, manages the funds' credit risk. Increased exposure to fixed income securities resulting from the proceeds from the sale of the Sold Businesses being invested in these securities is managed through diversification and selection of securities issued by high-quality issuers.

Interest Rate Risk

Guardian's most significant exposure to interest rate risk is through its investment in short-term and fixed income securities, partially offset by the bank loans and borrowings. The securities and the borrowings are both short-term, and act as a partial hedge to mitigate against interest rate fluctuations. Guardian is also exposed to interest rate risk on client deposits in its international banking operations. This risk is largely managed through matching the interest rates and maturity dates of Client deposit liabilities with Interest-bearing deposits with banks. The interest rate risk associated with Guardian's investment in fixed-income mutual funds is managed by monitoring the activities of the portfolio manager, who manages this risk by positioning the portfolio for various interest rate environments.

Liquidity Risk

Guardian manages liquidity risk through the monitoring and managing of cash flows from operations, by establishing sufficient cash borrowing facilities with major Canadian banks, which currently total \$175 million through three credit facilities, and leveraging the support of its significant security portfolio. The maturities of Guardian's contractual commitments are outlined under "Contractual Commitments" in this Management Discussion and Analysis. The combination of the cash flows from operations, the securities holdings and the borrowing facilities provides reasonable resources to manage its liquidity risk.

Certain financial market events may cause disruptions and cause a tightening of liquidity in the market, making it difficult or more expensive for Guardian to borrow under its facilities. Guardian's large portfolio of liquid securities can offset some of the risk of tightening of market liquidity.

Product Performance Risk

Product performance risk is the risk that we will not perform as well as the market, our peers, or in line with our clients' expectations. The nature of this risk is both relative and absolute. We manage this risk by having a disciplined approach to investment management, and by ensuring that our compliance capabilities are strong. With respect to clients' expectations, we also seek to ensure that we are aware of those expectations, and that we properly communicate with our clients to develop, report on and comply with client mandates on a continuous basis.

Competition Risk

Guardian operates in a highly competitive environment, with competition based on a variety of factors including investment performance, the type and quality of products and services offered, business reputation and financial strength. Loss of client assets to competition will result in losses of revenue and earnings to Guardian. Guardian attempts to mitigate this risk by developing and maintaining a competitive product line and competitive relative performance of its products, through the recruitment and retention of high-quality investment professionals and a high-quality management team. Our ability to compete is also enhanced by our large capital base, which provides Guardian with the financial strength to invest in the development or acquisition of businesses. It also provides existing and future clients with comfort, which allows Guardian to better compete in winning and retaining these clients.

Regulatory and Legal Risk

Guardian and its subsidiaries operate in an environment subject to various laws and regulations. Given the nature of Guardian's and certain of its subsidiaries' operations, it may from time to time, be subject to changes in regulations, claims or complaints from investment clients and sanctions from governing bodies. These risks are mitigated by maintaining relevant in-house competence in laws and regulations, compliance and product review oversight, where appropriate, utilizing assistance from external advisors and insurance coverage.

Key Personnel Risk

The success of Guardian is highly dependent on key personnel, including its senior management and investment professionals. The loss of any of these individuals, or an inability to retain these individuals and attract the best of the brightest talent, could have a negative impact on Guardian. To mitigate this risk, Guardian monitors the industry to competitively compensate these individuals, invests into the business to create an environment where both Guardian and these individuals can succeed, and evaluates, on an ongoing basis, the succession plans in place for these key individuals. Guardian's financial strength provides resources necessary to competitively compensate these individuals and to allow us to invest in the business.

Information Technology and Cybersecurity Risk

Guardian uses information technology and the internet to streamline business operations and to improve client experience. However, the use of information technology can also introduce operational risk related to its use by employees, which may result in errors and lead to financial loss to Guardian. In addition, through the use of mobile devices or remote connections to internal data centres, Guardian is exposed to information security and other technology disruption risks that could potentially have an adverse impact on its business. Guardian actively monitors these risks and continues to develop controls to protect against such threats that are becoming more sophisticated and pervasive.

As remote working by Guardian employees have increased, remote access to Guardian's data centre by its employees have increased cyber security risk. Guardian has heightened its monitoring of the internal network traffic and the monitoring of developments in the latest known cyber threats to enhance security controls, where appropriate.

Climate Change Risk

Guardian and its subsidiaries have mostly indirect exposure to climate risk; climate change may have an impact on financial market performance, which may, in turn, have an impact on level of income earned by Guardian; with the heightened awareness of climate change, asset managers may find retaining or attracting clients more challenging if they are viewed as not having a credible approach to climate change; and increasing regulatory requirements create onerous compliance obligations and increased costs which could impact business operations. Guardian has established a Responsible Investing Oversight Committee comprised of senior executives across its asset management subsidiaries, which is responsible for assessing and managing business risks related to the environment, social issues and corporate governance. Guardian also has a dedicated responsible investing team which is responsible for incorporating industry best practices in its asset management approach and aligning those activities across all of Guardian's asset management businesses. Guardian plans to leverage these existing structures in its plans to implement the proposed disclosure requirements of National Instrument 51-107.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions, which affect the reported amounts of assets, liabilities, contingencies, revenues and expenses. These estimates and assumptions are listed in note 2 (c) to Guardian's December 31, 2022, Consolidated Financial Statements. The most significant accounting estimates are related to the impairment assessment of goodwill and the determination of fair value of securities, which are classified as level 3 within the fair value hierarchy. The valuation approach to level 3 securities is most sensitive to the level of AUM associated with the issuer of the security. The valuation approach to Investment Management Segment goodwill is most sensitive to the levels of AUM within the Segment. The goodwill in all units are tested annually for impairment. In addition, Guardian reviews goodwill for indications of impairment at the end of each reporting period, and if indications of impairment exist, the goodwill is then assessed for impairment in that period.

NON-IFRS MEASURES**EBITDA, EBITDA attributable to shareholders, and EBITDA per share**

Guardian defines EBITDA as net earnings before interest, income tax, amortization, and stock-based compensation expenses, net gains or losses and net earnings from discontinued operations. EBITDA attributable to shareholders is defined as EBITDA less amounts attributable to non-controlling interests. EBITDA per share is calculated on EBITDA attributable to shareholders using the same average shares outstanding and other adjustments that are used in calculating net earnings attributable shareholders per share. Guardian believes these are important measures, as they allow management to assess the operating profitability of our business and to compare it with other investment management companies, without the distortions caused by the impact of non-core business items, different financing methods, levels of income taxes, the amounts of net earnings available to non-controlling interests and the level of capital expenditures. The most comparable IFRS measures are "Net earnings" and "Net earnings from discontinued operations", which are disclosed in Guardian's Consolidated Statements of Operations.

The following is a reconciliation of the IFRS measure to the non-IFRS measures:

| For the three months ended March 31, (\$ in thousands) | 2023 | 2022 | % Inc (Dec) |
|---|------------|-----------|-------------|
| | | Restated | |
| Net earnings | \$ 580,185 | \$ 5,815 | 9,877.4% |
| Add (deduct): | | | |
| Net earnings from discontinued operations | (553,743) | (5,591) | 9,804.2% |
| Income tax expense | 2,932 | 3,534 | -17.0% |
| Net (gains) losses | (18,134) | 9,749 | -286.0% |
| Stock-based compensation | 916 | 662 | 38.4% |
| Interest expense | 1,929 | 545 | 253.9% |
| Amortization | 3,286 | 2,790 | 17.8% |
| EBITDA | 17,371 | 17,504 | -0.8% |
| Less attributable to non-controlling interests in continuing operations | (976) | (1,114) | -12.3% |
| EBITDA attributable to shareholders | \$ 16,395 | \$ 16,390 | 0.0% |

Adjusted cash flow from operations, Adjusted cash flow from operations attributable to shareholders and Adjusted cash flow from operations attributable to shareholders per share

Guardian defines Adjusted cash flow from operations as net cash from operating activities, net of changes in non-cash working capital items and cash flows of discontinued operations. Adjusted cash flow from operations attributable to shareholders as Adjusted cash flow from operations less non-controlling interests. Adjusted cash flow from operations attributable to shareholders per share is calculated using the same method, which is used to determine net earnings attributable to shareholders per share, including any adjustment to the average number of shares outstanding, or to income, to calculate the dilutive effect. Adjusted cash flow from operations attributable to shareholders and the per share amount are used by management to measure the amount of cash, either provided by or used, in Guardian's operating activities available to shareholders, without the distortions caused by fluctuations in its working capital. The most comparable IFRS measure is "Net cash from operating activities", which is disclosed in Guardian's Consolidated Statements of Cash Flow.

The following is a reconciliation of the IFRS measure to the non-IFRS measures:

| For the three months ended March 31, (\$ in thousands) | 2023 | 2022 | % Inc (Dec) |
|---|-----------|-----------|-------------|
| | | Restated | |
| Net cash from operating activities | \$ 10,187 | \$ (692) | -1,572.1% |
| Add (deduct): | | | |
| Net cash from operating activities, discontinued operations | (10,087) | (9,848) | 2.4% |
| Net change in non-cash working capital items | 8,284 | 20,641 | -59.9% |
| Net change in non-cash working capital items, discontinued operations | 9,713 | 6,677 | 45.5% |
| Adjusted cash flow from operations | 18,097 | 16,778 | 7.9% |
| Less attributable to non-controlling interests, continuing operations | (984) | (1,143) | -13.9% |
| Adjusted cash flow from operations attributable to shareholders | \$ 17,113 | \$ 15,635 | 9.5% |

Shareholders' equity per share

Shareholders' equity per share, diluted, is used by management to indicate the retained value per share available to shareholders which has been created by Guardian's operations. The most comparable IFRS measure is Shareholders equity, which is disclosed in Guardian's Consolidated Balance Sheet. Shareholders' equity per share is calculated by dividing shareholders' equity by the number of shares and dilutive shares outstanding as at period end.

Securities per share

Securities per share is used by management to indicate the value available to shareholders created by Guardian's investment in securities, without the netting of debt or deferred income taxes associated with the unrealized gains. The most comparable IFRS measure is Securities, which is disclosed in Guardian's Consolidated Balance Sheet. Securities per share is calculated by dividing Securities by the number of shares and dilutive shares outstanding as at period end.

OUTLOOK

Surprises in the economic dataflow have reliably beaten pessimistic forecasts since the onset of the pandemic. Despite the durability of this general trend, markets remain perpetually unconvinced that it can be sustained; the indications of underlying strength just represent a downturn delayed. As a result, the data is forcing near-term forecasts (that had been slashed) to be revised higher to reflect the solid handoff from the current economic reality. These upgrades are coming at the expense of future projected growth, with the expected start of a recession just kicked further into the future. The question then becomes whether the consensus forecasts, which have been reliably subject to significant revisions over the last few years, will prove correct this time or if there is still scope for more upside surprises in the days ahead. While there are still plenty of risks in the outlook, it would appear that the underpinnings of the global economy at the moment would support the possibility for continued outperformance. To be clear, the base case is not for anything particularly noteworthy, the days of markedly above-potential growth rates fueled by the pandemic recovery are over. Instead, growth that is more consistent with pre-COVID trends could act as a ceiling in the months ahead. That said, even fairly anemic but positive growth over the forecast horizon is still a better relative outcome than an economic downturn that carries negative implications for households, businesses and markets. The primary reason for the expectation that economic conditions are broadly slated to worsen is tied to monetary policy. The past year has seen central banks embark on a tightening campaign that has been a standout versus history in terms of the speed and magnitude with which rates have gone up. As a result, there has been a sharp tightening of financial conditions over the last year, as markets processed higher rates and embedded risk premia on risk assets rose. Compounding the surge in costs of capital, there are growing signs that the availability of credit, the lifeblood of the economy, is becoming scarcer. On the other hand, the still-lingering scars of the last financial crisis amid the persistent calls for an imminent recession have kept households and businesses on comparatively high alert, and restrained risk-taking that has limited the development of significant financial excesses, and aside from exogenous shocks (such as war, natural disasters or a pandemic), it is the unwind of these financial imbalances that usually drive downturns. Banks which have more capital and less leverage than before have kept lending standards stringent since the last credit crisis. For example, the 25th percentile credit score at loan origination now in the US is where the median was in 2007 (i.e., the distribution has shifted higher in quality). This increased assurance of borrowers' ability to meet their financial obligations has meant that the rise in rates has so far been taken in stride.

The latest delinquency data for the US shows no notable change in the share of borrowers that are at least a month behind on their mortgage payments from its recent record lows. There has been an uptick in consumer loan delinquencies that bears watching, but they still remain historically low. As well, the relatively restrained availability of credit, and an aversion to borrowing even when rates were at their lows, have resulted in consumers being less reliant on debt than they have been in generations. The household debt-to-asset ratio in the US sits at levels last seen in the early 1980s (the reduction in areas like Canada and Australia, however, is not as stark). The fact that consumers continue to sit on a pandemic-driven excess of savings, and aggregate wealth remains near all-time highs despite weakness in financial and housing markets at a time when the cost of living pressures are abating, suggests that scope remains for the consumer to continue to support overall growth and despite the growing market pessimism on the outlook, consumer sentiment is actually on an upswing from the historically depressed inflation related levels seen last year. Consumers have consistently been the source of surprise over the last three years and there are no convincing signs yet that this resiliency is set to fade. For businesses, balance sheets similarly remain in good shape overall with low leverage, extended maturities and high-interest coverage providing a degree of insulation from the rise in costs of capital. The ability to manage existing debt for businesses, however, is not the same as being able to access new funding, which looks to become more difficult. Overall, the outlook points to slowing, growth, but not necessarily negative recessionary growth, which should support financial assets.

In recent times, economic shocks have sprung from unexpected sources (COVID, Ukraine invasion) but right now it appears the biggest risk to markets is visible and it is related to banking, where a number of bank failures where client withdrawals exceeded the liquidity required by the banks to fund the withdrawals, have made headlines. So far it seems that the authorities have been able to contain the fallout by seizing and selling off the assets of the failed banks to stronger competitors, while effectively guaranteeing all deposits. For now, it looks like the effect of the bank failures do not pose a systemic risk to the overall economy or markets in aggregate but it is definitely something to pay attention to.

In the meantime, Guardian's strong balance sheet offers the comfort of making long-term plans that are not necessarily reliant on the cooperation of events outside our control. We will continue upon our long-held path of innovating new product lines created from existing teams at Guardian, in addition to identifying new capabilities we wish to add and bringing in human and technological assets that will permit us to execute on those capabilities. Success in creating new products gives us an efficient way to grow Guardian's assets under management, generating revenue and profitability. We have a number of organic initiatives that fit well with this strategy. We will evaluate them along with potential acquisition opportunities that can strengthen aspects of our business or accelerate our growth plans as part of our upcoming strategic review. Over the long term, shareholders can expect to experience the benefits of both strategies.



Our history. Your future.

Guardian Capital Group Limited

Commerce Court West
Suite 2700, P.O. Box 201
Toronto, Ontario
Canada M5L 1E8

Tel: 416-364-8341
www.guardiancapital.com